

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5143-05
Bill No.: Perfected HCS for HB 1637
Subject: Banks and Financial Institutions; Tax Credits
Type: Original
Date: April 18, 2012

Bill Summary: This proposal recognizes gold and silver as legal tender and authorizes an income tax return check-off box for designations of income tax refunds for pediatric cancer research.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown - Could exceed \$370,000)	(Unknown - Could exceed \$370,000)	(Unknown - Could exceed \$370,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Could exceed \$370,000)	(Unknown - Could exceed \$370,000)	(Unknown - Could exceed \$370,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Pediatric Cancer Research Trust	Less than \$100,000	Less than \$100,000	Less than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$100,000	Less than \$100,000	Less than \$100,000

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§143.111 & 408.010 - Legal Tender

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Department of Labor and Industrial Relations, Department of Economic Development, Department of Insurance, Financial Institutions and Professional Registration, State Tax Commission, and Office of State Treasurer** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

ASSUMPTION (continued)

BAP states this proposal could result in an unknown decrease to general and total state revenues due to:

- A sales and use tax exemption on the exchange of gold and silver coins for another form of legal tender
- A state individual and corporate income tax deduction for capital gains on the exchange of gold and silver coins for another form of legal tender

Officials from the **Department of Elementary and Secondary Education** assume the tax subsidies would reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials from the **Department of Revenue** assume the tax deduction and sales tax exemption may result in an unknown amount of reduced total state revenue.

§143.111

This section of the proposal adds subdivision (6) that allows a deduction for any capital gains income included in Missouri adjusted gross income from the exchange of gold or silver under subsection 3 of §408.010.

§408.010

The exchange of gold and silver coins issued by the federal government for another form of legal tender is exempt from state and local sales and use taxes, as defined in §32.085, §238.235, §144.010 to 144.525, and §144.600 to 144.761, and state individual and corporate income taxes under chapter 143, excluding withholding tax imposed by §143.191 to 143.265.

DOR assumes the OA-ITSD portion of fiscal impact is estimated at \$13,356 for programming cost, calculated on 504 FTE hours.

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

§408.010.5

Officials from the **Department of Revenue** assume the deletion of this subsection, as proposed with HA 1 to HA 3, could potentially limit the state from identifying assets and prevent attempts to resolve delinquencies.

§408.010.9

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal allows for a nonbank depository that is subject to rules and regulations set by the Director of the Division of Finance (DIFP-FIN).

This will have a fiscal impact to the DIFP-FIN; however, the amount is indeterminable. The proposal does not define or describe the intent of a nonbank depository. The DIFP-FIN is not aware of this being done anywhere else in the country; therefore, the DIFP-FIN has no way to determine a cost estimate but assumes a fiscal impact of unknown but greater than \$100,000.

Oversight assumes DIFP would be able to model rules and regulations after federal regulations that may be in place for nonbank depositories and the fiscal impact to DIFP would be minimal. If the costs related to this proposal require additional staffing and duties at substantial costs, DIFP could request funding through the appropriation process.

Officials from the following local law enforcement agencies stated this proposed legislation will have no fiscal impact on their respective agencies: **Jefferson City Police Department, Boone County Sheriff's Department; Springfield Police Department.**

HA 1 - 408.010.9

Officials from the **Office of Secretary of State** assume that to create and implement an entirely new regulatory structure for a to-be-determined and currently unregulated component of the financial services industry, the Missouri Securities Division would need to add, at a minimum, five new staff members and create and implement a new electronic registration system. The estimated cost for these additions would amount to, at a minimum, approximately \$370,000 per year in new general revenue expenses.

This portion of the proposal could decrease Total State Revenue.

ASSUMPTION (continued)

§143.1026 - Income Tax Refund Designation for Pediatric Cancer Research

Officials from the **Office of the Secretary of State**, the **Office of the State Treasurer**, the **Joint Committee on Administrative Rules**, and the **Office of Administration, Office of the Director** assume this section would have no fiscal impact on their respective organizations.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this section would not result in additional costs or savings to their organization.

BAP officials stated that this section of the proposal would create an income check-off to benefit a fund established in this proposal: the Pediatric Cancer Research Trust Fund. Taxpayers could designate a portion of their refund to the fund. Taxpayers could also write a check for donations into the fund.

To the extent the check-off is used, this section would increase total state revenues. BAP notes that \$313,610 in designations were made via income tax check-offs in FY 2011.

Oversight assumes that the participation rate and the amount of revenue which would be provided for the Pediatric Cancer Research Trust Fund through this proposed check-off program are unknown.

Oversight reviewed the DOR report of checkoff trust fund collections for the years ended June 30, 2009 and 2010, and noted that only one program had collections in excess of \$100,000 per year. Average collections for the each of the twenty programs in FY 2010 was \$16,600.

For fiscal note purposes, **Oversight** will indicate annual revenue less than \$100,000 for the Pediatric Cancer Research Trust Fund. The program would be effective for tax years beginning January 1, 2012, and Oversight assumes the donations would be made from refunds beginning in January, 2013 (FY 2013).

Oversight also notes that the funds collected under this program would be paid out to a specified research foundation; accordingly, Oversight will assume this proposal would have no other impact on the state or on local governments.

Officials from the **Department of Revenue** (DOR) assume this section of the proposal would

ASSUMPTION (continued)

create an income tax refund check-off program for a newly created fund, the Pediatric Cancer Research Trust Fund. Beginning January 1, 2012, individuals or corporations entitled to a tax refund could designate one dollar, or two dollars on a combined return, to the fund.

DOR officials assume that DOR would need to make form changes, and DOR and ITSD-DOR would need to make programming changes to various tax systems. Other than the need for forms changes and programming this legislation would have no impact on DOR.

DOR officials also provided an estimate of the IT impact to implement this section of the proposal, \$22,260 based on 840 hours of programming to make changes to DOR systems.

Oversight assumes that ITSD-DOR is provided with core funding to handle a certain amount of activity each year, and that ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

This section of the proposal could increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost</u> - Secretary of State - Administrative Costs (§143.111 & 408.010)	(\$370,000)	(\$370,000)	(\$370,000)
<u>Loss</u> - Individual and corporate income taxes and sales and use taxes due to exemption for gold and silver used as legal tender (§143.111 & 408.010)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown - Could exceed \$370,000)</u>	<u>(Unknown - Could exceed \$370,000)</u>	<u>(Unknown - Could exceed \$370,000)</u>

**PEDIATRIC CANCER RESEARCH
 TRUST FUND**

<u>Revenue</u> - Donations (§143.1026)	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>	Less than <u>\$100,000</u>
--	-------------------------------	-------------------------------	-------------------------------

**ESTIMATED NET EFFECT ON
 PEDIATRIC CANCER RESEARCH
 TRUST FUND**

<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>	<u>Less than</u> <u>\$100,000</u>
--------------------------------------	--------------------------------------	--------------------------------------

FISCAL IMPACT - Local Government

FY 2013 (10 Mo.)	FY 2014	FY 2015
---------------------	---------	---------

LOCAL POLITICAL SUBDIVISIONS

Loss - Local sales and use taxes due to exemption for gold and silver used as legal tender (§143.111 & 408.010)

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
------------------	------------------	------------------

**ESTIMATED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS**

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
------------------	------------------	------------------

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

§143.111 & 408.010 - Legal Tender

This proposed legislation establishes the Missouri Sound Money Act of 2012 which changes the laws regarding legal tender. Among its provisions, the proposal:

- Exempts the exchange of gold and silver coins issued by the federal government for another form of legal tender from state and local sales and use taxes and state individual and corporate income taxes, excluding withholding tax imposed by §143.191 to 143.265, RSMo;
- Prohibits the composition of a person's monetary holdings, including those on deposit with any nonbank depository, from being disclosed, searched, or seized except upon strict adherence to due process safeguards.

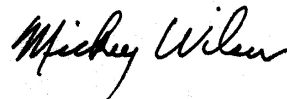
§143.1026 - Income Tax Refund Designation for Pediatric Cancer Research

This section would authorize an income tax return check-off box for designations of income tax refunds for pediatric cancer research.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Budget and Planning
Office of State Courts Administrator
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
Office of State Treasurer
State Tax Commission
Department of Labor and Industrial Relations
Local Law Enforcement
 Jefferson City Police Department
 Boone County Sheriff's Department
 Springfield Police Department



Mickey Wilson, CPA
Director
April 18, 2012